

Intercarrier Compensation and IP Interconnection

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ABC and RLEC proposals

- ❖ Cannot be considered consensus
- ❖ Do not include CLEC input despite significant impact on competitive providers
- ❖ Do not address CLEC concerns about IP interconnection
- ❖ Improperly apply higher access rates on VoIP services

- ❖ VoIP and other IP-PSTN services are jurisdictionally mixed and should be regulated at interstate level
- ❖ VoIP classification is not necessary at this time
- ❖ FCC determination of proper intercarrier compensation scheme for IP-PSTN services should apply prospectively:
 - IP-PSTN traffic should not be subject to access charges under 251(g)
 - Termination rates for IP-PSTN traffic should be regulated under sections 251(b)(5) and 201 and set at reciprocal compensation levels
 - IP-PSTN traffic must be designated upfront as IP-enabled to avoid future billing disputes
- ❖ Subjecting VoIP to access rates and also requiring TDM conversion subjects VoIP services to higher costs, but immediately applying lower rates would encourage IP deployment

Promote IP Interconnection Policies

- ❖ Focus of intercarrier compensation policies must shift from circuit-switched (TDM) to IP networks to reflect market developments (regardless of technology used to serve end users)
 - Eliminate LATA and other jurisdictional traffic boundaries
- ❖ Current intercarrier compensation and TDM network interconnection arrangements are inefficient
 - Carriers are rapidly deploying innovative IP-enabled services to end users, thus TDM interconnection arrangements are quickly becoming outdated
 - Even where end users are served via TDM technology, IP interconnection and transport provides lower cost and more efficient exchange of traffic
- ❖ Adoption of strong IP interconnection policies within intercarrier compensation regime will create proper incentives to spur additional broadband deployment

Section 251 IP Interconnection

- ❖ Commission should adopt specific rules to create proper financial incentives to invest in IP-based networks
- ❖ Section 251(a) requires all telecommunications carriers to interconnect with other carriers
 - ❖ The Act is technology neutral so this includes interconnection with IP-based networks
- ❖ Section 251(c)(2) requires ILECs to provide interconnection, “at any technically feasible point within the carrier’s network”
 - Includes interconnection to ILEC’s IP network for exchange of traffic in IP format regardless of technology used to serve end users
 - Format of carrier-to-end user exchange determined by serving carrier
 - For efficiency, maximum of one default IP point of interconnection (IP POI) should be established in each state

- ❖ All Inter-carrier Compensation Rates Should Be Regulated Within a Federal Framework Under Section 251(b)(5)
- ❖ Need Swift Transition To Lower Inter-carrier Compensation Rates Uniformly Applicable To All LECs
 - Disparate Rates Lead to Arbitrage Opportunities

- ❖ Focus CAF on Support for Broadband Services
- ❖ Cap High Cost Fund at Current Level
- ❖ Ensure Competitively and Technologically Neutral Distributions and Recovery Mechanisms
- ❖ Quickly Address USF Contribution Issues